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SENSITIVE
SIPDIS
PLEASE PASS TO ECON AND COMMERCIAL COUNSELORS

E.O. 12958: N/A

TAGS: [EWWT](#) [BEXP](#) [ECON](#) [EFIN](#) [ETRD](#) [PM](#) [SP](#) [FR](#) [IT](#)
SUBJECT: DEMARCHE REQUEST: ENSURING FAIRNESS BY BIDDERS IN
THE PANAMAL CANAL EXPANSION PROJECT

¶1. (SBU) Summary and action request. Please see para 2 for action request. Response requested by July 7. The Panama Canal Authority (ACP) is expected to announce next week the winner of the nearly \$4 billion third set of locks contract. This project is the centerpiece of the Canal,s overall expansion plan. The three consortia bidding on this project are led by Bechtel (U.S.), ACS (Spain) and Sacyr (Spain). We are concerned that the Sacyr group may have used the Spanish, French, and Italian credit agencies to guarantee a \$50 million performance bond that Sacyr would otherwise not qualify for) thereby disadvantaging the other competitors and masking Sacyr,s ability to complete this vital project.

¶2. (SBU) ACTION REQUEST FOR MADRID, ROME, AND PARIS: Embassy Action officers are requested to immediately approach the appropriate government authority that supervises the named export credit agencies and ask whether those agencies of Spain (Secretaria de Estado de Comercio - CESCE), France (Compagnie Francaise D,Assurance pour le Commerce Extérieur - COFACE), and Italy (Servizio Assicurativi del Estero - SACE) guaranteed, insured, or in any way backed a \$50 million performance bond for the consortia led by troubled Spanish firm Sacyr to construct the nearly \$4 billion third set of locks on the Panama Canal. Please report back by July 7, by either cable slugged to the Department and to Embassy Panama or by email to Marsha Singer in WHA/CEN and Joel Reifman, Economic Counselor, Panama, and Jim Bangert, Economic Officer Panama.

¶3. (SBU) Background: A consortium led by Spanish firm Sacyr Vallehermoso S.A., in direct competition with consortia led by Bechtel (U.S.) and ACS (Spain) has bid to build the roughly nearly \$4 billion third set of locks, centerpiece of the Canal expansion project. Other leaders of the Sacyr group include Impregilo S.p.A. (Italy) and Jan de Nul n.v. (Belgium). As part of the process, the Panama Canal Authority has asked for a \$50 million performance bond from all of the three consortia to verify their respective financial soundness. We understand that Sacyr is nearly bankrupt and is being propped up by the Spanish government. We further understand that their condition was so dire that they could not qualify for a \$50 million performance bond on the open market, and the 3 European credit agencies specified above had to provide guarantees for Saycr,s performance bond. However, at this point) we have not confirmed the actions of these three agencies.

¶4. While obtaining a guarantee from these agencies likely does not violate, on its face, the terms of the ACP,s bidding proposal, the fact that the guarantees) if they exist* could mask the true condition of Sacyr is of concern. The USG is supporting U.S. firm Bechtel in its efforts to obtain this enormous contract and bring jobs to the United States. Concurrently, we wish to ensure that an otherwise

fair and transparent bidding process is not wrongfully manipulated by the Sacyr consortium. If Sacyr is concealing its true financial condition, with the support of European governments, we wish to bring that fact to the attention of the ACP before they announce the winner of this once-in-a-century project.

15. The Department thanks you for your prompt assistance.
CLINTON